

Message Text

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ORIGIN EB-07

INFO OCT-01 COME-00 AGR-05 EA-07 ISO-00 /020 R

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APPROVED BY: EB/TCA/MA:CTAYLOR, JR.
EA/PHL:JSARTORIUS
EB/ORF/OFD/FPD:FSPILLMAN
FMC:TCHRISTENSEN
MARAD:FRAITER (INFO)
USDA/OGSM/CEP:RSPENCER (SUBS)
-----212243Z 125839 /66
R 201327Z MAY 77
FM SECSTATE WASHDC
TO AMEMBASSY MANILA

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E.O. 11652: N/A

TAGS:EWWT, RP

SUBJECT: SHIPPING DISCRIMINATION: FLAG PREFERENCE AND
CCC-FINANCED SHIPMENTS

REF: MANILA 5573

1. DEPARTMENT HAS DISCUSSED PROBLEM OF DBP ROLE IN CCC CREDIT FINANCING, INCLUDING REQUIREMENT FOR USE OF PHILIPPINE-FLAG VESSELS, FURTHER WITH DEPARTMENT OF AGRICULTURE (USDA) AND FEDERAL MARITIME COMMISSION (FMC).
 2. REGARDING DBP QUOTE SKIMMING UNQUOTE OF CCC CREDIT FINANCING, DEPARTMENT AND USDA SHARE EMBASSY'S CONCERN. HOWEVER, USDA HAS TRIED SEVERAL TIMES IN PAST, WITH ONLY LIMITED SUCCESS, TO PERSUADE DBP TO PASS ON FULL CREDIT
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BENEFITS TO TEXTILE MILLS AND OTHER PROCESSORS. SHORT OF WITHDRAWING CCC CREDIT FINANCING FROM PHILIPPINES, USDA SEES NO PROSPECT OF CHANGING DBP PROCEDURES. USDA WISHES TO CONTINUE MAKING CCC CREDIT AVAILABLE TO PHILIPPINES, SINCE CCC CREDIT IS SIGNIFICANT FACTOR IN OPERATION AND MAINTENANCE OF MARKETS FOR US COTTON, TOBACCO AND GRAIN.

3. WE THEREFORE HAVE LITTLE LEVERAGE TO INDUCE GOP TO ACT WITHIN SPIRIT OF CCC PROGRAM, AND DEPARTMENT DOES NOT BELIEVE THAT MAKING ANOTHER PRO FORMA PROTEST AGAINST QUOTE SKIMMING UNQUOTE PRACTICES WOULD SERVE USEFUL PURPOSE.

4. REGARDING DBP GUARANTEE AND FLAG PREFERENCE REQUIREMENT, WE UNDERSTAND THAT OFTEN DBP GUARANTEE IS SIMPLY PRECONDITION FOR NORMAL BANKING OPERATIONS; I.E., WITHOUT IT, COMMERCIAL BANKS WOULD NOT BE ASSURED OF AVAILABILITY OF FOREIGN EXCHANGE FOR REPAYMENT. ON OTHER HAND, DISCUSSIONS WITH USDA INDICATE THAT IN MANY CASES U.S. BRANCH BANKS MIGHT BE RELUCTANT TO OPEN LETTERS OF CREDIT IN ABSENCE OF DBP GUARANTEE, EVEN IF FOREIGN EXCHANGE AVAILABILITY ASSURED. FMC, WHILE UNABLE TO PREDICT PRECISELY WHAT POSITION IT MIGHT TAKE SHOULD U.S. OPERATORS FILE DISCRIMINATION COMPLAINT, IS INCLINED TO VIEW DBP'S ROLE AS GUARANTOR FOR CCC CARGOES (DESPITE ITS SKIMMING ACTIVITIES) AS INVOLVING SOME FINANCIAL RISK-TAKING ON PART OF GOP, AND THUS PROVIDING SOME BASIS FOR REGARDING THE CARGOES AS GOVERNMENT-FINANCED. HENCE, FMC IS NOW DOUBTFUL THAT FLAG PREFERENCE REQUIREMENTS LINKED TO DBP GUARANTEES OF CCC CARGOES WOULD JUSTIFY ACTION UNDER SECTION 19 OF MERCHANT MARINE ACT OF 1920. HOWEVER, SHOULD GOP USE MANDATORY DBP GUARANTEES AS DEVICE TO EXTEND FLAG PREFERENCE TO WIDE RANGE OF PURELY COMMERCIAL CARGOES, FMC WOULD DOUBTLESS RECONSIDER ITS POSITION ON DBP GUARANTEES.

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5. IN VIEW OF FOREGOING, DEPARTMENT DOES NOT BELIEVE THAT CCC ISSUE CAN BE USED AS VEHICLE FOR MOVING PD 894 ISSUE OFF DEAD CENTER. ON BASIS OF RESERVATION OF CCC CARGOES ALONE, WE DO NOT THINK WE ARE ON FIRM ENOUGH GROUND TO MAKE MORE FORMAL REPRESENTATIONS TO DFA AND CENTRAL BANK, AS SUGGESTED IN PARA. 8 OF REFTEL. FURTHER REPRESENTATIONS WOULD APPEAR JUSTIFIED ONLY IF THERE IS EVIDENCE THAT GOP IS EXTENDING IMPLEMENTATION OF PD 894 IN U.S. TRADES BEYOND DBP-GUARANTEED CCC CARGOES INTO AREA OF CLEARLY COMMERCIAL CARGOES OR IS USING OBLIGATORY DBP GUARANTEES TO EXTEND FLAG PREFERENCE REQUIREMENT TO GENERAL COMMERCIAL CARGOES. EMBASSY SHOULD REMAIN ALERT TO ANY INDICATIONS THAT GOP IS PURSUING EITHER COURSE AND KEEP DEPARTMENT INFORMED.

6. DEPARTMENT CONCERNED, HOWEVER, BY GROWING INDICATIONS THAT GOP IS INDEED BEGINNING TO IMPLEMENT PD 894, IN ADDITION TO CITATION OF PD 894 IN CENTRAL BANK LETTER IN REFTEL, DEPARTMENT HAS OBTAINED COPY (POUCHED TO

EMBASSY) OF CONSULAR INVOICE INSTRUCTIONS ISSUED BY PHILIPPINE EMBASSY IN LONDON WHICH APPEAR TO IMPLEMENT PD 894 IN PHILIPPINE-UK TRADE, WITH RESPECT TO IMPORTS BY CERTAIN DESIGNATED PHILIPPINE COMPANIES. IN INFORMAL CONTACTS WITH GOP OFFICIALS, EMBASSY SHOULD EXPRESS CONCERN AT SUCH INDICATIONS THAT GOP IS IMPLEMENTING PD 894 (DESPITE REPEATED ASSURANCES TO THE CONTRARY) AND REITERATE THAT IMPLEMENTATION OF PD 894 IN US TRADES, OR ANY OTHER MEASURE WHICH RESERVED SUBSTANTIAL COMMERCIAL CARGO TO PHILIPPINE-FLAG VESSELS, WOULD MAKE IMPOSITION OF COUNTERVAILING MEASURES LIKELY AND HAVE SERIOUS CONSEQUENCES FOR U.S.-PHILIPPINE MARITIME RELATIONS.

7. FYI. SEA-LAND RECENTLY INFORMED DEPARTMENT THAT IT BELIEVES GOP NOW MAKING EXTENSIVE USE OF OBLIGATORY DBP GUARANTEES TO APPLY FLAG-PREFERENCE REQUIREMENTS TO ORDINARY COMMERCIAL CARGOES, AND PLANS TO DISCUSS MATTER LIMITED OFFICIAL USE

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WITH FMC IN NEAR FUTURE. WE DO NOT YET KNOW WHAT EVIDENCE SEA-LAND HAS TO SUPPORT ALLEGATION, OR WHAT FMC REACTION LIKELY TO BE. DEPARTMENT WILL KEEP EMBASSY INFORMED OF ANY DEVELOPMENTS. END FYI. CHRISTOPHER

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01-Jan-1994 12:00:00 am
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: MARINE TRANSPORTATION, CREDIT AGREEMENTS
Control Number: n/a
Copy: SINGLE
Sent Date: 20-May-1977 12:00:00 am
Decaption Date: 01-Jan-1960 12:00:00 am
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 22 May 2009
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1977STATE116458
Document Source: CORE
Document Unique ID: 00
Drafter: EB/TCA/MA:CTAYLOR, JR.
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Expiration:
Film Number: D770182-0645
Format: TEL
From: STATE
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1977/newtext/t19770534/aaaabcym.tel
Line Count: 143
Litigation Code IDs:
Litigation Codes:
Litigation History: Hold (001 Tobacco) added on 4/16/2009 3:39:08 PM by WASHDCMcGoldRJ, Hold (001 Tobacco) removed on 4/16/2009 3:45:05 PM by WASHDCMcGoldRJ (Litigation Hold Lifted)
Locator: TEXT ON-LINE, ON MICROFILM
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TAGS: EWWT, EFIN, RP
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vdkgvkey: odbc://SAS/SAS.dbo.SAS_Docs/0306c68c-c288-dd11-92da-001cc4696bcc
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